

AR16



Weyerhaeuser Annual Report/1970



Financial Highlights

	1970	1969*
Net sales	\$1,233,423,000	1,199,046,000
Net earnings	\$ 124,207,000	131,362,000
Depreciation, amortization and depletion	\$ 96,927,000	68,433,000
Cash flow from operations	\$ 225,126,000	194,847,000
Capital expenditures	\$ 281,821,000	486,340,000
Dividends:		
Preferred	\$ 10,124,000	3,430,000
Common	\$ 48,902,000	47,669,000
Working capital	\$ 152,307,000	150,595,000
Long-term debt, including current maturities	\$ 528,206,000	378,472,000
Shareholders' interest	\$1,016,101,000	944,035,000
Per common share:		
Net earnings	\$ 1.87	2.11
Cash flow from operations	\$ 3.52	3.15
Dividends	\$.80	.80
Shareholders' interest (end of year)	\$14.17	13.08
Percent earned on shareholders' interest	13.2%	16.1%
Market prices:		
High	\$ 59	44 $\frac{1}{2}$
Low	\$ 34	33
End of year	\$ 57 $\frac{1}{4}$	40 $\frac{1}{2}$
Number of shareholder accounts (end of year):		
Preferred	2,544	1,866
Common	28,892	27,233

*Certain 1969 data have been restated for comparative purposes to reflect the change in method of reporting real estate activities (Note 1 of Notes to Financial Statements) and to reflect the accounting for the Dierks Forests, Inc. acquisition as a purchase of assets.

The cover is a composite of two photographs. The structural framework of our new container-board plant at Valliant, Oklahoma, is superimposed over young trees on Weyerhaeuser forestland in North Carolina. Inside back cover: Sunrise at our new plant in Klamath Falls, Oregon.



President's Message

"It isn't whether you win or lose, it's how you play the game" isn't a principle ordinarily applied to business situations. It seems appropriate, however, to the quality of our team effort in 1970, and to the result as well. We played the game well. We didn't lose. But, we certainly didn't win, either. We fell short of our expectations.

We did some careful planning for the year, basing our financial goals upon certain assumptions about the course of the general economy. These assumptions, like those of most industry and government experts, proved to be incorrect.

Nevertheless, 1970 was a year of substantial progress. We achieved record sales and record cash flow.

We broadened our product base and increased our production and marketing efficiency.

And, our earnings performance was strong relative to our competitors.

Yet 1970 remained a disappointing year.

A basic corporate objective is, and has been, to maintain an average 15 percent annual increase in earnings per share. When measured against that objective, 1970's results were poor. We didn't reach the 15 percent. Earnings per share were down 11 percent from 1969's record. We have a real

task ahead of us to recover the ground we lost and meet our continuing earnings growth objective.

The underlying problem in 1970 was the timing of the rebound in housing and in the general economy. We expected a weak first half, and a strong second half. We were correct with respect to the weak first half, but it was followed by a weak second half. Recovery was delayed, and the calendar ran its course with demand, prices — and profits — remaining depressed.

Quick responses to market conditions allowed us to soften the impact of the sluggish pace in our markets. Cost cutting programs, adjustments in product flow, and intensive, pinpoint marketing efforts were successfully implemented.

In an economy as volatile as ours is currently, short-term prospects are most difficult to evaluate. Most observers have predicted a recovery in the housing market, with a number of those forecasts anticipating a boom year in 1971. We find no reason to dispute the forecasts for a strong year for housing; it should be noted, however, that this recovery is coming from a rather low base, and that a fragmented industry such as housing cannot do a complete turnaround overnight. Housing is only one of the mar-

kets we serve, admittedly an extremely important one. Some of our other U.S. markets have followed the course of the general economy with declines in activity and demand for our products; these should improve in 1971 as economic recovery picks up momentum.

We are experiencing inflationary pressures on all major cost items including labor, money and materials, as well as transportation and taxes. These basic and difficult cost trends of 1970 still prevail. We will be operating in a better climate in 1971, but it still will be a tough climate, one which continues to call for flexible and imaginative management, close attention to costs, and a great deal of hard work.

After thorough re-evaluation in 1970, we have reaffirmed the validity of our basic strategy. We have achieved many short-term growth and long-term expansion objectives in the face of extremely adverse external circumstances. We have developed a strong and stable marketing position which will permit us to take advantage of emerging opportunities in our businesses. We are prepared for the strong demand factors we believe are at work for us in the 1970s. All in all, we have entered 1971 with few illusions, and with optimism and confidence.



George H. Weyerhaeuser





The billion-dollar investment program we announced in 1969 is right on schedule.

In our five-year expansion program, 1970 was the time to begin building. And we did.

Ten new facilities are taking shape in the mid-South, plus half a dozen more on the East Coast, in Oregon, British Columbia, and overseas.

We're in the midst of a construction program calling for expansion at a level unprecedented in the history of this company.

We're adding facilities with a combined annual capacity of 350,000 tons of pulp, 265 million square feet of plywood, 140 million square feet of particleboard, and 275 million board feet of lumber. Our containerboard plant at Valliant, Oklahoma, which goes on line in the winter of 1971-72, will produce 570,000 tons annually.

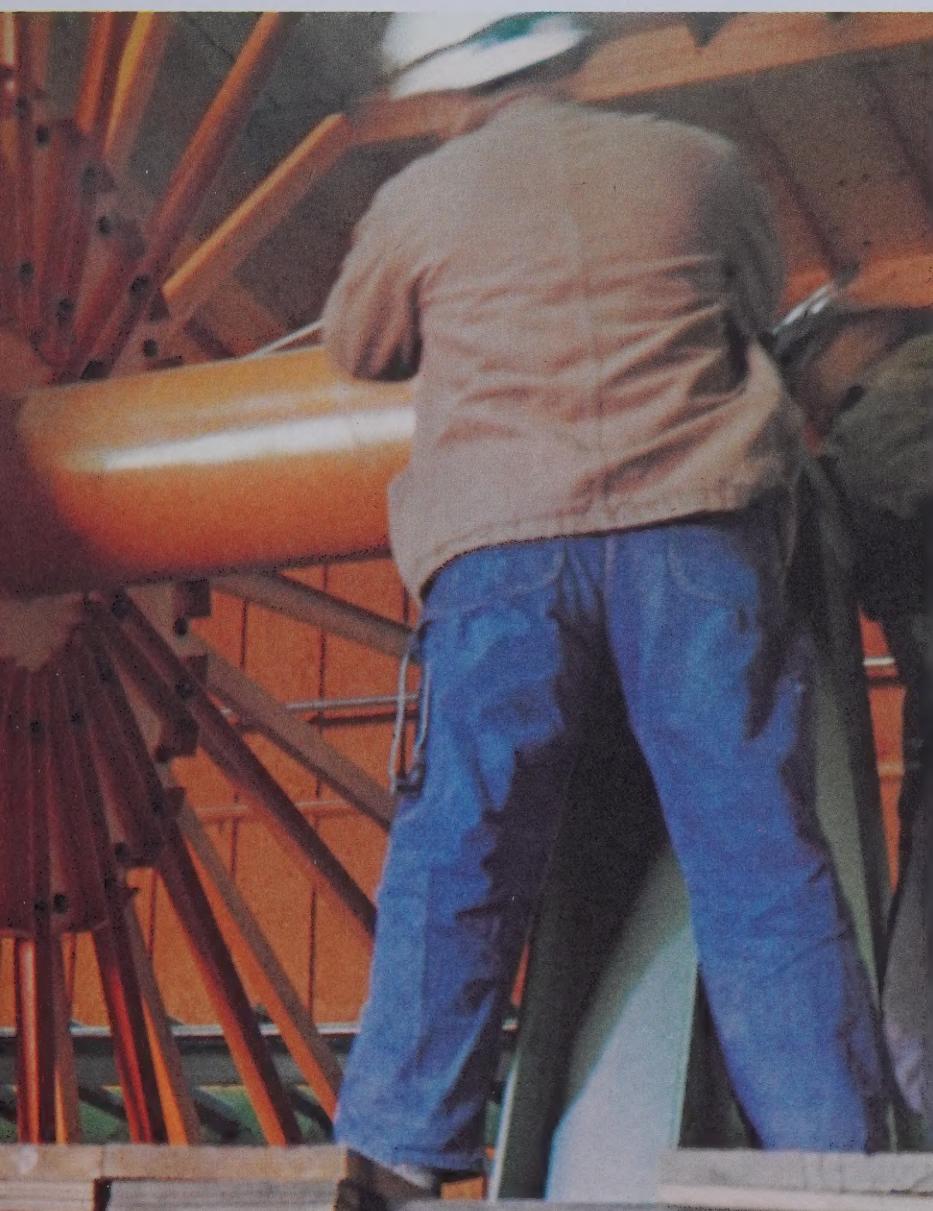
These new plants are designed to expand capacity, to increase productivity, and to improve the yield from materials consumed.

We are expanding now—in the face of adverse short-term economic conditions—because we see opportunities ahead. Opportunities in commercial construction, in packaging, in pulp and paper products, housing, and land development.

We are preparing to supply these markets from modern, efficient production facilities capable of turning out high quality products in volume.

The company's 1970 expansion program included this construction activity at a new particleboard plant.





Construction of new facilities is moving rapidly. In upper left photo a drill digs column footings for a new plant at Craig, Oklahoma.

The new plywood press is being installed at Klamath Falls, Oregon. The plant there was partially damaged by fire in November when 328 feet of shipping and finishing facilities in a 1,700-foot-long building were destroyed.

The wheel-like machinery is panel handling equipment installed at one of the particleboard plants under construction. The machinery turns panels moving along the production line.





This \$65 million pulp mill at New Bern, N.C., was dedicated late in the year. The mill occupies a 500-acre site, including about 150 acres of aeration and holding ponds to clean the 30 million gallons of water the plant uses daily. One of the most efficient mills in the industry, the New Bern facility includes more than \$6 million in air and water protection systems.

The nation is entering an environmental era in which ecology is recognized as playing an important role. All Weyerhaeuser facilities have been built with the most advanced environmental protection equipment available at the time of construction.

The underlying strength of this corporation is its people and its timber resource.

People: 42,000 of them with managerial, supervisory, professional, technical, clerical and production skills.

Add to that trees—timber standing on the 5.6 million acres of commercial forestland we own in the United States. And more trees still on the 9.5 million other acres around the world where we have harvest rights.

This vast resource is managed by Weyerhaeuser people with a special sense of urgency: The world is demanding wood products in steadily increasing volume. Yet the land available for growing trees is diminishing each year.

This developing gap between timber supply and wood product demand in-

sures increasing need for Weyerhaeuser's intensive High Yield Forest program—our way to enhance the productivity of the land and to grow more trees, better trees, faster, at a rate of return that attracts investment capital.

Our system of management for value is consistent with general ecological needs. A healthy forest produces not only more wood, but also more oxygen, improved wildlife habitat, and greater recreational potential.

During 1970 we planted 47 million trees as a key part of the High Yield Forest program—nine for every one we harvested.

We added 1,200 miles to our 16,000-mile private road system. We planted or seeded more than 115,000



acres. And for the future we are growing 91 million new seedlings in our tree nurseries in the South and West.

We fertilized more than 105,000 acres of forestland to increase growth in established stands.

Continuance of this level of investment depends largely on sound timber tax policies at the state and local levels. Generally these taxes are related to the economics of forestry, but there are a few important areas in which intensified reforestation and management of the forest resource is, in effect, subjected to a tax penalty. We are conducting public education programs in these areas and expect to support legislative action relating timber taxes to forest economics.

In addition to growing more trees, harvesting them at appropriately accelerated rates, and doing both within a sound financial framework, we have increased yield by making more efficient use of the timber we cut.

Extreme value differences are inherent in the log types we generate in our timber harvest. Unit values varying up to 700 or 800 percent from low grade to high grade are common.

The goal is to direct each part of each log to its highest use in the most desirable market.

To segregate these values, we have to invest in equipment that can handle logs efficiently in sorting yards where marketing values govern raw material flows.

Our High Yield Forest program is providing the raw material backup for a major expansion of Weyerhaeuser facilities. A more productive forest generates the raw material for new and more efficient mills, new and better products, new and more challenging jobs.

Weyerhaeuser resources in its own commercial forests include more than 14 billion cubic feet of standing timber. This photo shows second-growth timber in the Clearwater area of the Cascade mountain range in Washington state. Weyerhaeuser ownership includes 2.8 million acres in the western United States and 2.8 million acres in the South.







We're building a capability to serve the marketing needs of tomorrow.

We're moving toward a new marketing position selected to meet business opportunities and economic conditions we see ahead.

We're developing new capacity in our principal businesses, greater breadth in our product mix, and improved flexibility to meet changing demand patterns.

We foresee large increases in demand for forest products in the future. But we anticipate increasing specialization. So we're building not only for scale, but also for precision and flexibility.

With advanced systems of log sorting and distribution we can handle more material faster. And, more important, we can channel raw materials and products to meet market requirements.

We are better able to assess each log in terms of its market potential at a point where we have many options about products to be produced.

We also are expanding steadily into new market areas.

A prime example is our expansion in overseas markets. About 22 percent of our total sales were in international markets during 1970—up from 8.5 percent in 1965.

Many of our new facilities have a direct relationship to our expanding overseas interests. While we're serving our domestic customers more quickly from the mid-South complexes, European and Far Eastern markets will be served more effectively from our coastal locations.

Behind our surge of plant construction are years of careful planning. Ahead of it is a decade of growth.

World markets for Weyerhaeuser products are growing steadily and rapidly. In 1970 about 22 percent of total sales were to customers in other countries.





**In 1970 our field force
sold more building materials
of more types for more uses
than ever before in our history.
And it was uphill all the way.**

The continuing recession in housing affected all building materials suppliers in 1970. Competition was keen; markets soft; profits depressed in almost all major commodity lines.

We responded by fine-tuning production systems, cutting costs and adjusting product flow to meet existing market opportunities.

The immediate future for housing looks a great deal brighter than the recent past. By year's end, housing



starts showed considerable improvement. This heralds the long awaited surge in housing which should continue for the next year and beyond.

Housing moved higher on the list of national priorities, as the pent-up demand continues to intensify. National needs will not be met in 1971. We believe that housing needs will be given priority attention in the 1970s, and that markets will surge.

As the demand develops, Weyerhaeuser will be ready. The expansion

underway now at Weyerhaeuser is in advance of the increased need for building products, but with lead time planned to minimize excess short-term production capacity.

New operations are part of integrated facilities with potential for producing a full range of forest products. This positioning of complexes of modern production facilities around our large timber and land holdings provides options in timber allocation and, thus, the flexibility we need to respond

profitably to changing market conditions.

Framing lumber still looks the same, but manufacturing operations are changing dramatically. This lumber, awaiting final finishing, was produced in automated machinery that saws, chips and simultaneously sorts stock by size at a new installation in Mountain Pine, Arkansas. Similar equipment was installed at four other Weyerhaeuser plants in 1970.

Major fiber plants now being built will increase our pulp capacity by a third, and our containerboard capacity by 50%.

Just two installations on which construction began in 1970 will have that result: The 1,600-ton-a-day containerboard plant in Valliant, Oklahoma, and the new 1,000-ton-a-day pulp mill in Kamloops, B.C.

What's happening at these two very large and widely separated building sites influences planning for all of our domestic fiber products businesses as well as distribution systems we operate around the world.

At Valliant our construction program is on schedule. We'll be finishing at the end of 1971 with full capacity coming on line during 1972.

We have been using our full containerboard capacity since 1969, and as one of the world's largest producers of shipping containers we have had to purchase additional containerboard to serve our plants and markets.

With our Valliant mill on line in 1972, we'll be able to supply our growing shipping container plant requirements and to participate in expanding world linerboard markets.

Weyerhaeuser is in a particularly strong position to serve the industrial and agricultural packaging markets with its worldwide marketing organization and a resource base large enough to keep pace with anticipated growth.

Economies of scale in this business are such that any new containerboard

facility will have to be in the range of 1,000 tons a day or more, requiring substantial investment in plant and equipment and extensive new raw material sources which are increasingly difficult to assemble.

In the area of pulp production, our Kamloops bleached kraft pulp expansion now in the early construction stages, with completion planned for late spring in 1972, will realize major economies of scale.

This pulp mill capacity addition is occurring at a time when markets are strengthening, particularly export markets. In 1970, about half of our tonnage moved to overseas customers.

The outlook is favorable. Scandinavian and other European producers who have added pulp capacity in recent years are increasingly converting their pulp to paperboard and paper products, so their net contribution to market pulp capacity has been minimized.

The possibilities in the nations bordering the Pacific are particularly attractive, and Weyerhaeuser mills on the West Coast will look increasingly to that area for future growth.

This mountain of chips is part of the daily ration of raw material for a modern Weyerhaeuser pulp mill.







**Sales of our
new real estate
company
exceeded
\$60,000,000.**

Weyerhaeuser Real Estate Company was formed in 1970 and includes all present and past activities of our shelter group. This company, with a net worth of more than \$95 million, has its own financing capabilities, thus providing additional strength and flexibility to its operating divisions. The results of operations of the shelter group have been set forth separately in the financial statements of Weyerhaeuser Company in this report.

We experienced growth in the existing components of our real estate activity—Quadrant Corporation, Par-

West Financial, and Weyerhaeuser Properties, Inc.

We also completed the acquisition of Centennial Homes, Inc., providing an entry into the growing Dallas, residential market.

In our acquisitions we've sought firms which are strong and successful businesses in their own right. And then we've made sure our strengths and theirs can result in measurable benefits to both.

The acquisitions are organized to maintain the entrepreneurial nature of the acquired firms' managements.



We're developing a new business to meet new economic conditions—not buying into a field as a way to achieve forward integration.

Our approach is based on bringing together the capabilities of a number of strong businesses to do a job none has done before and which none could do as well alone. The 1970 activities of three new components of this group included:

Quadrant Corporation: The firm opened new single family home developments in Arkansas, Oklahoma, Oregon, and Washington during the year.

Plans now being implemented provide for other residential units and commercial development in these areas and at other Quadrant properties in the Pacific Northwest. In addition, Quadrant is involved in projects in Vermont and North Carolina.

Par West Financial: Pardee Construction Co. operated in six subdivisions in California and Nevada during the year. The firm is active in both single family and apartment construction. Another subsidiary, Weyerhaeuser Mortgage Company (formerly Pacific Western Mortgage), with more than

\$825 million in mortgage servicing in five states, at year-end was the nation's 13th largest mortgage banker.

Centennial Homes, Inc.: Negotiations for the purchase of this 13-year-old Dallas, Texas, firm in 1970 resulted in acquisition early in 1971. Centennial is one of the largest residential building firms in metropolitan Dallas, building both single family and multi-family units.

In total these three divisions of the shelter group plan to build and sell more than 4,000 residential units during 1971.



Our research and engineering team seeks new ways to maximize value and minimize waste.

Weyerhaeuser maintains a research and engineering staff of 500 persons whose work involves them in more than 20 areas of technology.

The central objective that unifies this widely varied team is directly related to the company's position as one of the world's leading resource firms: It is to maximize yields from land, trees, and production processes.

Research and engineering efforts to maximize value extend beyond process refinement. As an example, a major product development moved from the laboratory to marketing preparation in 1970. The program combines wood fiber and plastics to produce a totally new material. Still called by its laboratory designation — Product 714 — the material is adaptable to a variety of end-uses. It can be clear and translucent, thick or thin, opaque or colored,

smooth or textured.

The 714 material can be recycled after use, be disposed of as biodegradable fill, or burned in pollution-free incinerators. A Weyerhaeuser facility will produce containers from this material in 1971.

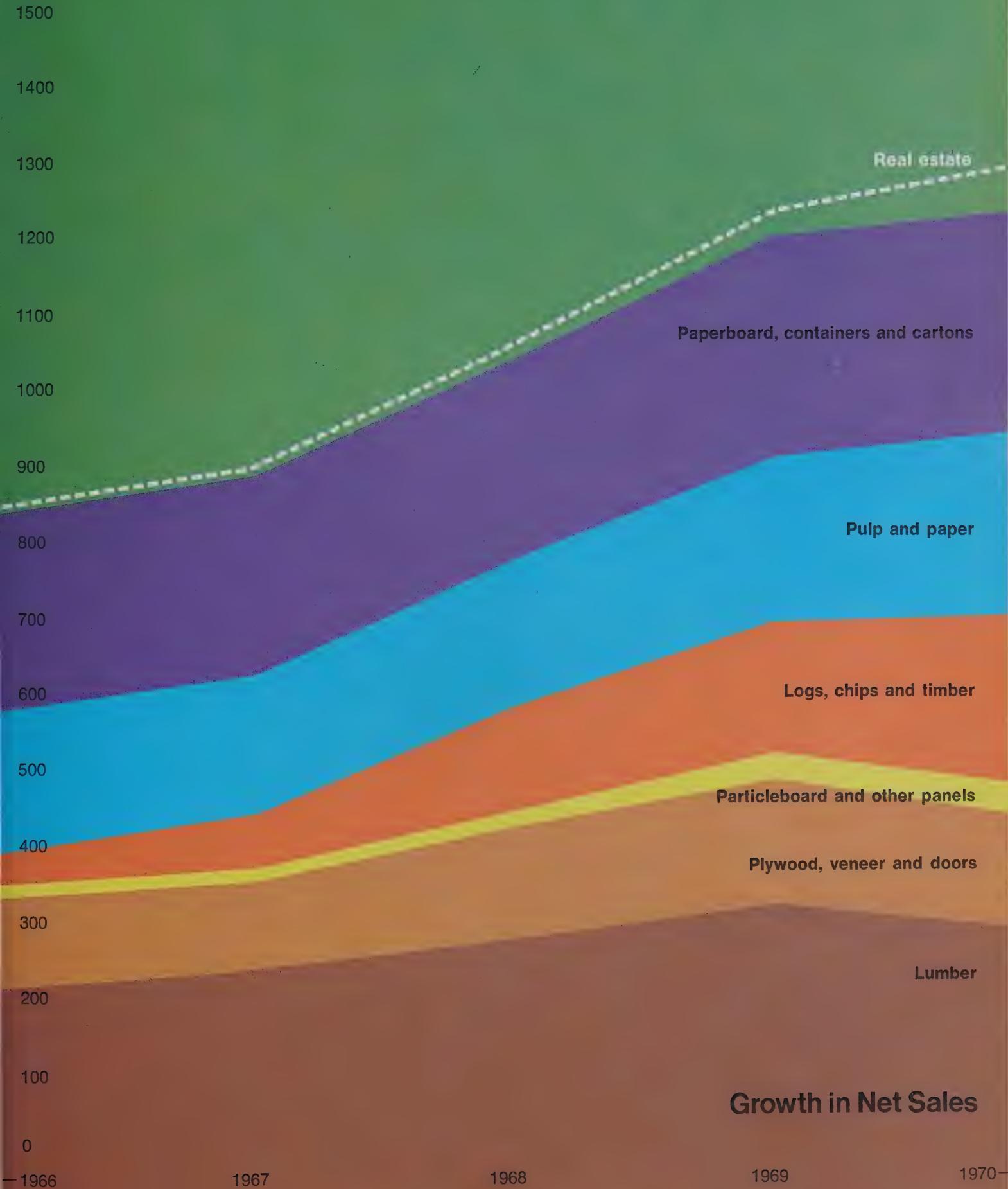
As part of the process of maximizing value, a great deal of research and engineering effort in 1970 was devoted to turning materials once regarded as waste into useful products.

Advances in this area reduce pollution—such as the production of charcoal briquets from fly ash taken from powerhouse stack gases. Other projects conserve chemicals used in production processes through separation and recycling of chemicals normally lost.

In addition to these kinds of research, Weyerhaeuser maintains one

of the most extensive forestry research facilities in the industry. This work formed the basis for the Weyerhaeuser High Yield Forest program which is being expanded and refined through a series of programs aimed at growing more trees, at higher growth rates, with improved properties and yields. The progress of just one aspect of forestry research—that of forest genetics—carried on over many years, has perhaps the greatest potential promise of any research field in which we are engaged.

The photo is of a dendrometer band, an instrument which records minute growth in a tree. It measures changes in circumference to the nearest ten thousandths of an inch, recording changes automatically every half-hour.



Financial Summary

Despite record levels of net sales and operating cash flow, 1970's financial results reflected the conditions faced by American industry as a whole: namely, the cost/price squeeze. Depressed prices in most of our markets, particularly building materials, prevailed, while at the same time, costs and expenses continued to escalate. As a consequence, operating margins, net earnings and earnings per share declined from 1969's all-time highs.

1970's net sales were up 3 percent from their 1969 levels and net earnings were down 5 percent. Reflecting 1970's business conditions, pre-tax profit margins fell from 16 percent on net sales to 15 percent. This drop in operating margin primarily was due to increases in operating costs and interest expense which were larger than the increase in net sales. Income taxes were below those of 1969. The principal factor affecting this reduction was a decline in the market value of the year's timber harvest.

Net earnings of \$1.87 per common share were down 11 percent from the \$2.11 reported last year. These earnings were after preferred share dividends of \$10,124,000 in 1970, and \$3,430,000 in 1969. They represent returns on shareholders' interest of 13 percent for 1970 and 16 percent for 1969.

Cash Flow, Capital Expenditures and Financing

Reflecting our expansion program, capital expenditures during 1970 reached \$281,821,000. These expenditures, along with the funds required for other uses, were financed by an operating cash flow of \$225,126,000, an increase of 16 percent from last year, and by the successful offering of \$150 million of 8½% sinking fund debentures, and \$50 million of 8½% notes. As a consequence, long-term debt increased to \$519,007,000, or 34 percent of the combined long-term debt and equity capital employed in the business.

Weyerhaeuser Real Estate Company

During the year, this company was formed to manage the company's various real estate and related activities. This was undertaken in recognition of the inherently different nature of the capital structures of the real estate versus forest products businesses. The new company is expected to have independent financial capacity and is reported on the equity method. Accordingly, the 1969 consolidated financial statements have been restated to reflect this change in accounting method. At the end of 1970, \$95,590,000 had been invested in Weyerhaeuser Real Estate Company.

Acquisitions and Purchase of Minority Interests

186,711 treasury common shares and \$5,717,000 in cash were used for the acquisition of three companies during 1970. In addition, the minority interests in Kamloops Pulp and Paper, Ltd. were acquired and the investment in Drosby France was increased from 86.4 percent to 98.6 percent.

Property Taxes

Both property and timber taxes continued to increase during 1970. Taxes on timber led the trend, increasing by 20 percent over the 1969 level, and more than doubling over the last five-year period. In certain locations, the tax burden on timber reached crisis proportions.

Common Stock Dividends

Dividends of \$.80 per share were paid in 1970. These represented a payout of nearly 43 percent of the earnings per common share.

Statement of Consolidated Earnings (Dollar Amounts in Thousands Except Per Share Figures)

	Year Ended December 27, 1970	Year Ended December 28, 1969 (Note 1)
Net sales	\$1,233,423	\$1,199,046
Costs and operating expenses	922,203	876,842
Gross profit	311,220	322,204
Selling, general & administrative expenses	132,625	131,424
Operating profit	178,595	190,780
Other income—net:		
Weyerhaeuser Real Estate Company (Note 1)	10,873	10,133
Other	8,115	4,190
	197,583	205,103
Interest expense (Note 1)	17,076	11,041
Earnings before taxes on income	180,507	194,062
Income taxes (Note 4)	56,300	62,700
Net earnings	\$ 124,207	\$ 131,362
Net earnings per common share (Note 7)	\$ 1.87	\$ 2.11

Consolidated Balance Sheet (Dollar Amounts in Thousands)

	December 27, 1970	December 28, 1969
Assets	(Note 1)	
Current assets:		
Cash	\$ 17,495	\$ 25,268
Marketable securities, at cost (substantially equivalent to market).....	20,012	21,406
Receivables, less allowance of \$2,566 and \$2,046.....	169,946	150,547
Inventories (Note 2).....	162,082	153,696
Prepaid expenses	16,151	12,358
Total current assets	385,686	363,275
Investments and other receivables:		
Weyerhaeuser Real Estate Company (Note 1).....	95,590	30,486
Other	40,024	40,782
Timber and timberlands , at cost less depletion (Notes 1 and 3).....	416,732	396,500
Property and equipment , at cost less depreciation and amortization (Note 3).....	832,679	701,832
Deferred taxes, financing and other charges (Note 4).....	21,638	21,266
	\$1,792,349	\$1,554,141
	_____	_____
Liabilities and Shareholders' Interest		
Current liabilities:		
Notes payable, including current maturities of long-term debt.....	\$ 67,387	\$ 55,901
Accounts payable	52,953	37,880
Accrued liabilities	68,953	66,272
Dividends payable	14,717	14,465
Accrued income taxes (Note 4).....	29,369	38,162
Total current liabilities	233,379	212,680
Long-term debt (Note 5).....	519,007	362,409
Insurance and pension reserves (Note 6).....	23,862	30,941
Minority interest in subsidiaries	—	4,076
Shareholders' interest (Notes 7, 8 and 9):		
Preferred shares	149,432	149,288
Common shares	232,500	232,500
Other capital	6,130	6,394
Retained earnings	649,629	584,293
Common shares in treasury, at cost; 955,487 shares and 1,289,067 shares.....	(21,590)	(28,440)
Total shareholders' interest	1,016,101	944,035
	\$1,792,349	\$1,554,141
	_____	_____

Statement of Comparative Consolidated Working Capital

Year Ended December 27, 1970, with Comparative Figures for 1969

(Dollar Amounts in Thousands)

December 27, 1970	December 28, 1969 (Note 1)	1970 Increase (Decrease)
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Current Assets:

Cash and marketable securities.....	\$ 37,507	\$ 46,674	\$ (9,167)
Receivables	169,946	150,547	19,399
Inventories	162,082	153,696	8,386
Prepaid expenses	16,151	12,358	3,793
Total current assets.....	385,686	363,275	22,411

Current Liabilities:

Notes payable	67,387	55,901	11,486
Accounts payable	52,953	37,880	15,073
Accrued liabilities	68,953	66,272	2,681
Dividends payable	14,717	14,465	252
Accrued income taxes	29,369	38,162	(8,793)
Total current liabilities.....	233,379	212,680	20,699
Working capital.....	\$152,307	<u>\$150,595</u>	<u>\$ 1,712</u>

Summary of Transactions Affecting Consolidated Working Capital

	1970	1969
Working capital was obtained from:		
Operations resulting in net earnings.....	\$124,207	\$131,362
Charges to net earnings not requiring working capital:		
Depreciation, amortization and depletion.....	96,927	68,433
Deferred (prepaid) income taxes—net.....	3,992	(4,948)
Working capital obtained from operations.....	225,126	194,847
Proceeds from sale of new debentures and notes.....	213,900	126,200
Proceeds from revolving bank notes.....	—	50,000
Proceeds from sale of new preferred shares.....	—	149,288
Proceeds from sale of common shares under stock options.....	3,166	2,123
Other transactions—net.....	22,773	3,027
Working capital obtained	464,965	525,485
Working capital was used for:		
Expenditures for property and equipment	238,104	198,326
Expenditures for timber and timberlands	43,717	288,014
Investment in Weyerhaeuser Real Estate Company (Note 1).....	65,104	11,418
Purchases of 5.20% sinking fund debentures.....	7,621	—
Payments and other long-term debt changes — net.....	49,681	2,808
Cash dividends on preferred and common shares.....	59,026	51,099
Purchases of treasury common shares.....	—	7,478
Working capital used	463,253	559,143
Increase (decrease) in consolidated working capital.....	\$ 1,712	\$ (33,658)

Statement of Shareholders' Interest For the Year Ended December 27, 1970

	Number of Shares Outstanding	
	Common	Preferred
Balance at December 28, 1969, as previously reported	60,710,933	1,499,525
Changes resulting from pooling-of-interests (Note 1)	121,154	—
Restated	60,832,087	1,499,525
Net earnings	—	—
Cash dividends:		
Preferred — \$6.75 per share	—	—
Common — \$.80 per share	—	—
Treasury common shares used in acquisitions	65,557	—
Stock options exercised	147,132	—
Other transactions—net	(263)	1,395
Balance at December 27, 1970	<u>61,044,513</u>	<u>1,500,920</u>

Reference should be made to notes on pages 28 thru 31.

Notes to Financial Statements

1. Principles of consolidation and general comments

The consolidated financial statements include all domestic and foreign subsidiaries except Weyerhaeuser Real Estate Company which is carried at equity and which is engaged in real estate development and operations, financing and construction activities. All significant intercompany transactions and accounts are eliminated.

For 1969 the Company's real estate, finance and construction activities were reported on a fully consolidated basis; consequently, the 1969 consolidated financial statements have been restated for comparative purposes. Weyerhaeuser Real Estate Company's financial position at December 27, 1970, and December 28, 1969, and operating results for 1970 and 1969 follow:

Weyerhaeuser Real Estate Company

Condensed Balance Sheet (Amounts in Thousands)

	1970	1969
Cash, receivables and other assets	\$ 50,600	\$32,559
Land developments and other operating properties	47,136	27,233
Rental properties, including construction in progress	24,945	—
Land held for future development	37,363	13,333
Investment in and advances to finance subsidiaries not consolidated	10,568	3,779
	<u>\$170,612</u>	<u>\$76,904</u>
Liabilities including Weyerhaeuser Company advances		
and \$3,084	75,093	49,502
Shareholder's interest	95,519	27,402
	<u>\$170,612</u>	<u>\$76,904</u>

Condensed Statement of Operations (Amounts in Thousands)

	1970	1969
Revenues and other income—net	\$ 61,044	\$35,905
Earnings of finance subsidiaries		
not consolidated	4,546	1,512
	65,590	37,417
Operating costs and expenses	54,717	27,284
	10,873	10,133
Provision for income taxes	5,963	5,646
Net earnings	<u>\$ 4,910</u>	<u>\$ 4,487</u>

Weyerhaeuser Real Estate Company's investment in its finance subsidiaries is carried at equity. Included in such subsidiaries' liabilities are notes payable to banks of \$105,990,000 at December 27, 1970, and \$50,958,000 at December 28, 1969, collateralized by trust deed notes receivable, construction loans receivable and certain other assets. Total assets of the finance subsidiaries aggregated, at the same dates, \$118,126,000 and \$57,186,000.

The accounts of foreign subsidiaries have been translated to appropriate U.S. dollar equivalents. Total assets, net assets and net earnings of the Company's foreign subsidiaries are not significant.

During September 1969 the Company purchased the business and assets of Dierks Forests, Inc., for \$192 million in cash, 1,249,525 shares of new \$6.75 Convertible Cumulative Preferred Shares, Series A, and the assumption of certain Dierks' liabilities. The operating results of Dierks are included in consolidated 1969 net earnings from date of purchase and relative to net earnings for that year were not significant.

Currently and for the next few years the Company is engaged in constructing additional manufacturing facilities necessary to utilize appropriately a portion of the Dierks'

Common Shares	Preferred Shares	Other Capital	Retained Earnings	Treasury Shares	Total Shareholders' Interest
\$232,500	\$149,288	\$6,394	\$584,293	\$ (28,440)	\$ 944,035
—	—	(2,865)	155	2,888	178
232,500	149,288	3,529	584,448	(25,552)	944,213
—	—	—	124,207	—	124,207
—	—	—	(10,124)	—	(10,124)
—	—	—	(48,902)	—	(48,902)
—	—	1,846	—	1,563	3,409
—	—	755	—	2,411	3,166
—	144	—	—	(12)	132
<u>\$232,500</u>	<u>\$149,432</u>	<u>\$6,130</u>	<u>\$649,629</u>	<u>\$ (21,590)</u>	<u>\$1,016,101</u>

Weyerhaeuser Company and Subsidiaries

timber and timberlands acquired. Interest on funds borrowed to purchase such portion of the timber and timberlands is being and will continue to be capitalized until such time as the related support facilities commence operation. The amounts of interest capitalized in these and other major projects aggregated \$18.3 million in 1970 and \$5.7 million in 1969.

Also during 1969 the Company issued 1,113,653 treasury common shares in exchange for the businesses and outstanding stock of certain companies. These transactions were treated as poolings-of-interests and the consolidated financial statements have been restated retroactively to reflect the accounts and operating results of the pooled companies.

Pursuant to an October 1970 agreement the Company acquired Centennial Homes, Inc., in January 1971 in exchange for 121,154 shares of its treasury common shares. In Weyerhaeuser Real Estate Company the acquisition of this construction business is treated as a pooling-of-interests and is included in its accounts and operating results for 1970. Earnings of Centennial Homes, Inc., for 1969 and prior years are insignificant in respect of the Company's consolidated results previously reported and the consolidated financial statements have not been restated retroactively. In two other transactions the Company purchased B.C. Interior Sawmills Ltd., and Kamloops Lumber Company Limited, both Canadian forest products businesses, for 65,557 treasury common shares plus \$5,717,000 in cash.

Contingent upon certain future events approximately one million additional common shares may be issued in connection with certain 1969 and 1970 acquisitions.

Certain reclassifications involving previously reported figures for the year ended December 28, 1969, have been made to conform the prior year's financial statements to the current year's format.

2. Inventories

Inventories are stated at the lower of cost or market. Cost of logs, pulp, softwood lumber and plywood is determined with reference to the last-in, first-out method. Cost of all other inventories is determined with reference either to the first-in, first-out or average cost methods.

	000's Omitted	
	1970	1969
Paperboard, containers and cartons	\$ 29,678	\$ 29,178
Pulp and paper	13,709	13,358
Lumber, plywood and panels	49,248	40,675
Logs and chips	23,808	23,506
Other products and materials	45,639	46,979
	<u>\$162,082</u>	<u>\$153,696</u>

3. Property and equipment

At the reported balance sheet dates property and equipment included the following:

	000's Omitted	
	1970	1969
Land	\$ 16,661	\$ 21,912
Buildings and improvements	232,217	218,911
Machinery and equipment	969,637	859,299
Rail and truck roads	110,111	102,881
Other	5,458	3,994
	<u>1,334,084</u>	<u>1,206,997</u>
Less allowance for depreciation and amortization	<u>655,117</u>	<u>618,215</u>
	<u>678,967</u>	<u>588,782</u>
Construction in progress	<u>153,712</u>	<u>113,050</u>
	<u>\$ 832,679</u>	<u>\$ 701,832</u>

Depreciation of property and equipment is provided gen-

erally at rates based on the estimated service lives of the properties using the straight-line method. Amortization of logging railroads and truck roads is determined on the basis of the estimated quantity of timber to be removed over such roads. Depletion is charged as timber is harvested, lost as the result of casualty, or sold, with rates being determined with reference to the cost of timber and the related estimated recoverable timber volumes.

4. Income taxes

The Company provides for deferred income taxes to reflect the tax effects of timing differences in reporting income and deductions for tax purposes. At December 27, 1970, and December 28, 1969, these deferrals were approximately \$18.7 million and \$22.6 million respectively of which amounts \$13.0 million and \$17.9 million are included in "Deferred taxes, financing and other charges". Provision for 1970 and 1969 income taxes includes the following:

	000's Omitted	
	1970	1969
Federal taxes	\$49,260	\$61,230
Investment tax credit	(2,800)	(7,400)
State and foreign	9,840	8,870
	<u>\$56,300</u>	<u>\$62,700</u>

5. Debt

Long-term debt obligations, excluding amounts payable within one year, consist of the following:

	000's Omitted	
	1970	1969
5.20% sinking fund debentures due May 1, 1991	\$142,379	\$150,000
7.65% sinking fund debentures due July 15, 1994	150,000	126,200
8 1/8% sinking fund debentures due October 1, 2000	140,100	—
8 1/8% notes due October 1, 1976	50,000	—
Revolving bank notes	—	50,000
Other	<u>36,528</u>	<u>36,209</u>
	<u>\$519,007</u>	<u>\$362,409</u>

The 5.20% sinking fund debentures were redeemable at 105.20% to April 30, 1967, and at decreasing prices thereafter until May 1, 1988, at which time the debentures may be redeemed at par. The Company is obligated to make annual sinking fund payments of \$7.5 million principal amount beginning April 30, 1972, and has the option to deliver debentures in lieu of cash. At December 27, 1970, the Company had purchased \$7,621,000 principal amount of these debentures.

The 7.65% sinking fund debentures were redeemable at 107.65% to July 14, 1970, and at decreasing prices thereafter until July 14, 1991, after which date the debentures may be redeemed at par. At December 28, 1969, \$23.8 million of the authorized \$150 million remained for future issuance to purchasers pursuant to delayed delivery contracts. The Company is obligated to make annual sinking fund payments of \$10 million principal amount beginning July 14, 1980, and has the option to deliver debentures in lieu of cash.

The 8 1/8% sinking fund debentures are redeemable at 108.63% to September 30, 1971, and at decreasing prices thereafter until September 30, 1995, after which date the debentures may be redeemed at par. At December 27, 1970, \$9.9 million of the authorized \$150 million remained for future issuance to purchasers pursuant to delayed delivery contracts due February 4, 1971. The Company is obligated to make annual sinking fund payments of \$6 million principal amount beginning September 30, 1976, and has the option to deliver debentures in lieu of cash.

The 8 1/8% notes due October 1, 1976, are not redeemable prior to April 1, 1976, on and after which date they are redeemable at par. No sinking fund obligations apply to these notes.

At December 28, 1969, the Company had borrowed \$50 million pursuant to a credit agreement dated August 4, 1969, with a group of 17 banks. A portion of the proceeds from sale of the 8 1/8% sinking fund debentures and of the 8 1/8% notes was used to retire such borrowings and the credit agreement was cancelled.

Other long-term debt of \$36,528,000 at December 27, 1970, and \$36,209,000 at December 28, 1969, consists principally of domestic timber purchase contracts and foreign subsidiaries' bank and other borrowings.

Long-term debt maturities during the next five years are:

1971	\$ 9,199,000
1972	7,283,000
1973	10,762,000
1974	17,337,000
1975	9,159,000

The indenture agreements relating to the various note and debenture issues contain no covenants materially restricting the manner in which the Company might otherwise conduct its business.

6. Pension and insurance reserves

The Company has a number of pension plans covering substantially all employees. The plans are trustee plans and generally the Company has funded pension costs to the extent of current costs plus interest on unfunded liabilities. Changes in actuarial assumptions, primarily that of

the assumed rate of earnings for fund assets, have had the effect of causing fluctuations in provisions for pension costs which costs approximated \$2.5 million in 1970 and \$7.4 million in 1969. Actuarially computed liabilities under the various plans are fully funded or provided for at December 27, 1970.

The Company is a self-insurer with respect to certain amounts and types of risk and maintains reserves which aggregated \$7.3 million at December 27, 1970, and \$8.1 million at December 28, 1969.

7. Common shares

In April 1969, and April 1970, the shareholders approved changes in the Company's common shares which increased the authorized common shares from 31 million to 70 million shares, effected a 2-for-1 split of the shares then issued, and changed the par value from \$7.50 to \$3.75 a share. Approximately 2.63 million common shares are reserved for issuance upon conversion of the \$6.75 convertible cumulative preferred shares outstanding (Note 8). Contingent upon certain future events the Company is committed to issue approximately one million shares in connection with certain acquisition agreements (Note 1).

All share and per share data have been adjusted retroactively to reflect the 1969 2-for-1 stock split and, where appropriate, the inclusion of net earnings of companies pooled in 1969 and 1970 (Note 1). For the purpose of computing primary earnings per share the \$6.75 convertible cumulative preferred shares are not common share equivalents. Fully diluted earnings per common share are not given because the effect of conversion of the \$6.75 convertible cumulative preferred shares would not be dilutive.

8. Preferred shares

In April 1969, the shareholders authorized 2 million shares of a new class of preferred shares subsequently designated \$6.75 Convertible Cumulative Preferred Shares, Series A, without par value. Each preferred share is entitled to one vote at meetings of shareholders and is convertible at the rate of one preferred share for 1.7544 common shares. Beginning July 20, 1972, the preferred shares are callable and the redemption price is scaled in declining gradations of \$.75 a share per annum from \$105 a share during 1972-73 to \$100 a share during 1979-80 and thereafter (in each case together with accumulated and unpaid dividends). In liquidation holders are entitled to \$100 a share plus accrued and unpaid dividends thereon before distributions to holders of common shares.

9. Stock option plans

Under incentive stock option plans there were outstanding at December 27, 1970, options granted to certain officers and key employees for 407,065 common shares. Approximately 285,000 common shares are available for future grants. During 1970 options for 114,889 shares were granted, options for 147,132 shares were exercised, and options for 9,402 shares lapsed. Average prices for options granted during 1970, exercised during 1970 and outstanding at December 27, 1970, were \$41.47, \$21.50, and \$30.69 respectively. Treasury common shares are reserved for the exercise of stock options.

10. Commitments

Purchase commitments and planned expenditures in connection with the Company's current major plant expansion programs (principally in Arkansas, Oklahoma, Oregon and Canada) are expected to aggregate \$194 million in 1971 and \$50 million in 1972.

Report of Auditors

To the shareholders

Weyerhaeuser Company:

We have examined the consolidated balance sheets of Weyerhaeuser Company (a Washington corporation) and subsidiaries as of December 27, 1970, and December 28, 1969, and the related statements of consolidated earnings, shareholders' interest and working capital for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and statements of consolidated earnings, shareholders' interest and working capital present fairly the financial position of Weyerhaeuser Company and subsidiaries as of December 27, 1970, and December 28, 1969, and the results of their operations and the sources and applications of working capital for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Seattle, Washington
February 9, 1971

ARTHUR ANDERSEN & CO.

There are a number of principal determinants of long-term profitability in Weyerhaeuser and the forest products industry generally. Some of these "leverage points" are listed below, in hopes that they may be helpful in understanding Weyerhaeuser's business and prospects. Relative weight of these factors changes from time to time as a function of changes in the economics of the business. And, no one factor can be considered in isolation; all are interdependent and must be dealt with collectively.

The principal determinants of long-term profitability for companies such as ours are (1) raw material supply and processing, (2) system logistics, (3) economies of scale, (4) market position, and (5) management and labor skills.

Raw Material Supply and Processing

Timber inventory is obviously a key factor in evaluating the raw material supply of any company. Timber inventory can be described in terms of volume of merchantable timber, acreage of nonmerchantable growing stock, and actual and potential aggregate annual growth. In evaluating the timber inventory particular attention must be paid to the mix of species, ages and sizes and to its accessibility for forest management and harvest. In making any evaluation these factors must be viewed from the perspective of the relationship of the company's investment in timber to current market values. Such evaluations provide the prime measure of the company's ability to control supply to meet its long-term raw material needs, and to regulate the flow of material and the related cash flow and income streams through management of harvest levels, purchases, and allocations of timber harvest to alternate markets.

The estimated value of the timber resource can be realized only through sale or removal and processing. The economics of extraction and processing to achieve the highest potential value of the timber inventory assume a particular importance in looking at long-term profitability. In evaluating extraction economics, the efficiency of harvest operations in maximizing yield is one major factor. Another is the ability to merchandise trees — bringing logs in the longest possible lengths to a central sorting facility, sawing the long logs into shorter elements of the highest possible grades, and allocating those shorter logs to end uses that maximize their value. Finally, value yield in the converting facilities, a function of modern mills designed to fit the log types being processed, must be considered.

Key land characteristics affecting the value of a timber inventory include growth capacity—soil quality, moisture availability—and adaptability to efficient harvest and economic reforestation. Harvesting efficiencies depend upon terrain, weather (whether logging can be conducted year around or only seasonally) and road-building costs. Potential for development for other, nontimber uses must also be considered.

System Logistics

Most of the products of the forest are both bulky and heavy. Handling and transportation are major components

of their delivered cost. The minimization of these logistical costs is related directly to the location of the raw material both in relation to conversion facilities and to major markets. Equally important is the capability to move large volumes to a single market at one time to achieve low unit cost.

Economies of Scale

Scale of operation is becoming increasingly important in our industry in achieving lower per-unit cost. The size of the business in relation to its markets governs its ability to expand in large increments of production without disrupting the overall profitability of its existing operations. Also important is the availability of large amounts of capital at economic cost. Our businesses are becoming increasingly capital intensive. This, in combination with the increasing size of the producing units, requires strong financial capability. This capability results from underlying asset values, the inherent degree of risk in the specific business, and continuity of cash flow.

Market Position

Any analysis of market position should give careful consideration to both a company's markets and its ability to move among them. Market position in large measure determines both stability of earnings and cash flow, and the opportunity to capitalize on differing growth and profit trends as they occur.

Evaluation factors include the scope of the company's geographic market diversity, internationally, nationally, and within regions; product line diversity; shares of various markets; the potentials of various product markets; and, finally, the ability to allocate products among these markets and to shift those allocations quickly.

Management and Labor Skills

Human skills are the key to the successful combination of raw material, financial strength, and markets. Common measures of management are formulation and commitment to appropriate objectives, the ability to respond quickly to changed circumstances, the mix of experience and age, management depth, and management's existing track record. Analysis of the labor force includes evaluation of its skills, its relationship to management, and labor availability in the operating regions.

Statistical Tables

The comparative analysis of any company within the forest products industry must be subjective. The weighting given various factors will depend on the individual making the analysis, as will the interpretation of data.

To assist in an evaluation of the Company's long-term future, the statistical section which follows delineates Weyerhaeuser's materials flow system. It also portrays some factors important to analysis of the Company's raw material supply, logistics, scale of operations, markets, and past performance.

Planned Annual Production Capacities (Domestic and Foreign)

Product	Basis	No. of Plants	1970 Production	1970 Additions to Capacity	Planned New Capacity*
Market pulp	Thousand air-dry tons	8	804	210	350
Paper	Thousand tons	4	262		
Paperboard	Thousand tons	11	1,172		570
Shipping containers	Thousand tons	44	850		
Cartons	Thousand tons	13	167		
Lumber	Million board feet	26	1,887	130	275
Plywood	Million square feet	14	975		265
Particleboard	Million square feet (3/4")	6	156	75	140
Hardboard	Million square feet (1/8")	1	120		

*Engineered or under construction

Geographic Dispersion of Operations (Includes Facilities Under Construction)

	United States					Far East-Oceania	Europe-Africa	Total
	Eastern	Central	Western	Canada	Caribbean			
Major woods operating units	4	7	18	6		3		38
Market pulp mills	1		6	1				8
Paper mills	3		1					4
Paperboard mills	2	2	3		1		3	11
Shipping container plants	9	14	8		2		11	44
Carton plants	2	5	4		1		1	13
Lumber mills	3	5	11	6		1		26
Plywood, veneer and door plants	5	6	7	3		1		22
Particleboard plants	1	2	3					6
Hardboard plants			1					1
Customer service and distribution centers (building materials)	27	21	16			1		65
Sales offices	27	41	30	1		4	5	108

Annual Production (Domestic and Foreign)

Product	Basis	1970	1969	1968	1967	1966
Logs	Hundred thousand cubic feet	7,743	6,768	6,629	5,417	4,937
Market pulp	Thousand air-dry tons	804	673	660	671	679
Paper	Thousand tons	262	299	281	260	258
Paperboard	Thousand tons	1,172	1,054	1,041	1,030	1,034
Shipping containers	Thousand tons	850	776	742	669	600
Cartons	Thousand tons	167	156	159	152	161
Lumber	Million board feet	1,887	1,724	1,640	1,528	1,610
Plywood	Million square feet	975	926	910	806	758
Particleboard	Million square feet (3/4")	156	134	101	65	53
Hardboard	Million square feet (1/8")	120	87	98	94	111

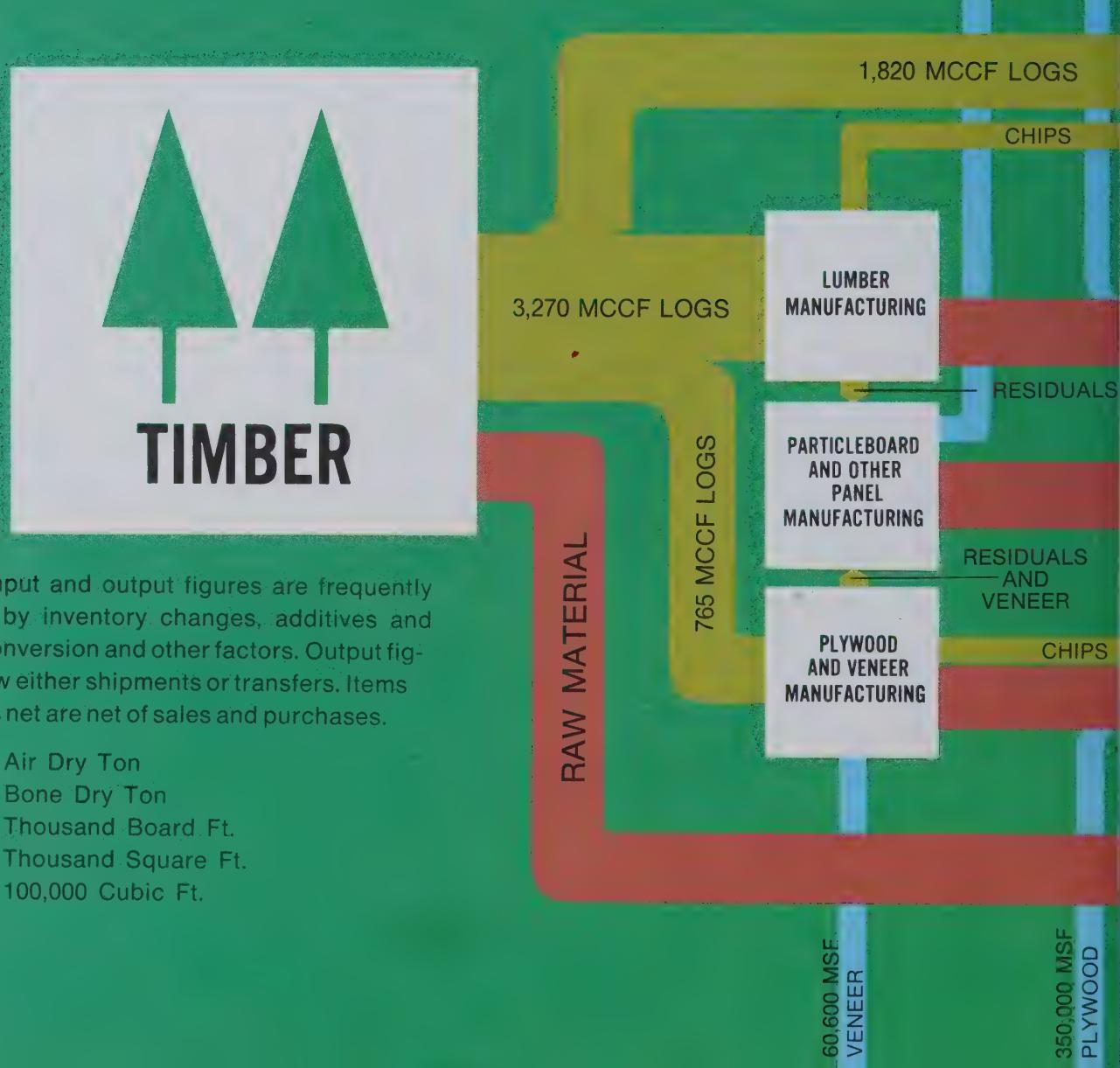
1970 MATERIALS FLOW

Materials flow at Weyerhaeuser begins on scientifically managed timberlands where we plant and grow the bulk of our raw material. Logs are harvested, augmented by purchased materials, and moved through integrated conversion facilities where research and ingenuity combine with basic production methods to produce thousands of products for our customers throughout the world.

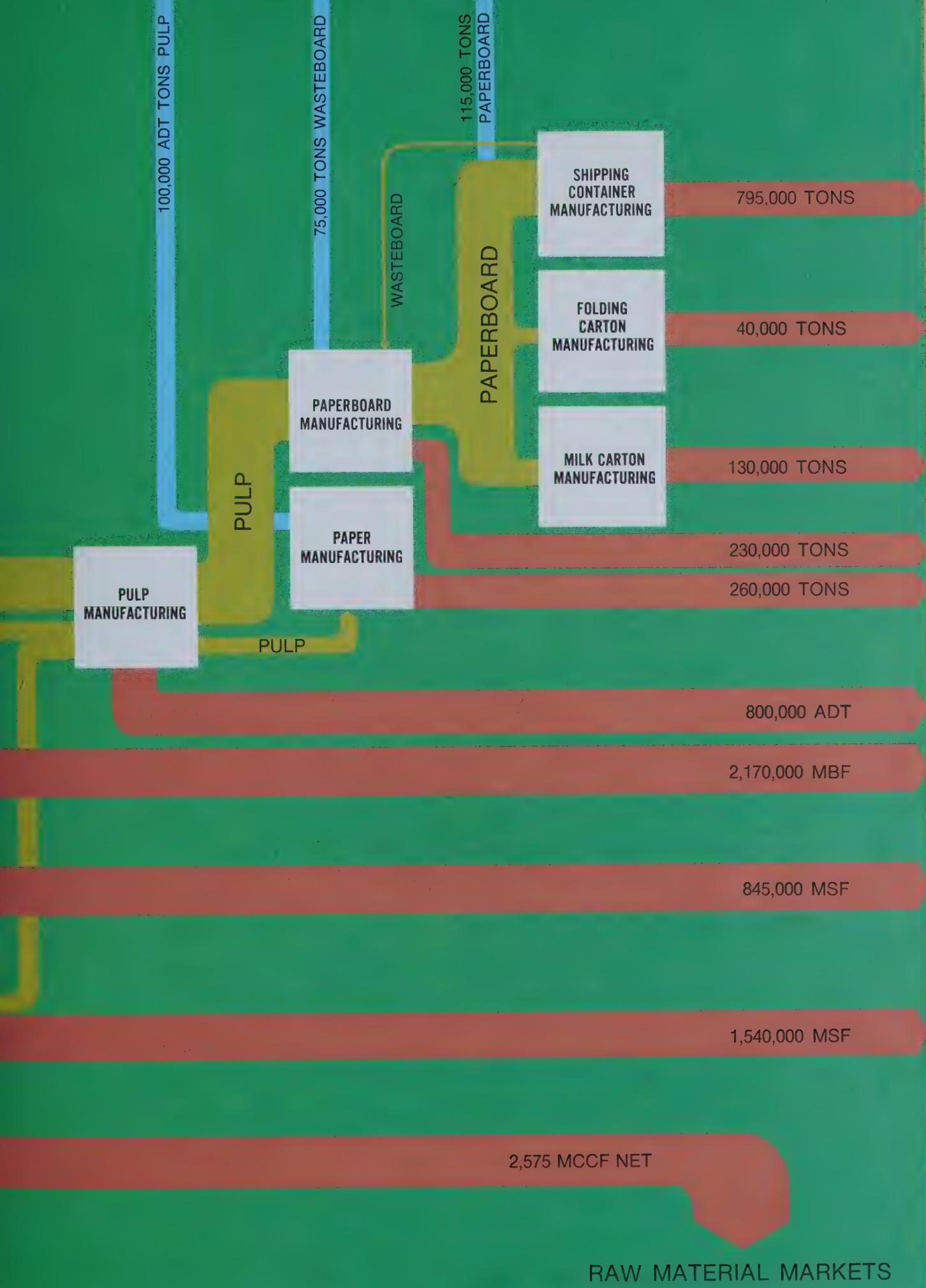
Internal Flow

Outside Purchases

Sales



FINISHED PRODUCT MARKETS





Historical Summary (Dollar Amounts in Thousands Except Per Share Figures)

	1970	1969	1968	1967	1966
Per Common Share					
Net earnings	\$ 1.87	2.11	1.75	.99	1.29
Dividends paid	\$.80	.80	.70	.70	.70
Shareholders' interest (end of year).....	\$ 14.17	13.08	11.82	10.89	10.73
Percent earned on shareholders' interest.....	13.2%	16.1%	14.8%	9.1%	12.0%
Financial Position					
Current assets	\$ 385,686	363,275	323,594	306,034	363,905
Current liabilities	\$ 233,379	212,680	139,341	113,912	117,017
Working capital	\$ 152,307	150,595	184,253	192,122	246,888
Current ratio	1.65	1.71	2.32	2.69	3.11
Timber and timberlands.....	\$ 416,732	396,500	117,418	117,844	117,947
Property and equipment.....	\$ 832,679	701,832	571,494	515,148	476,580
Investments and other assets.....	\$ 157,252	92,534	66,867	62,937	51,422
Total assets	\$ 1,792,349	1,554,141	1,079,373	1,001,963	1,009,854
Long-term debt	\$ 519,007	362,409	189,017	194,370	203,003
Shareholders' interest	\$ 1,016,101	944,035	719,839	668,980	665,201
Operating Results					
Net sales	\$ 1,233,423	1,199,046	1,029,996	886,579	837,836
Net earnings	\$ 124,207	131,362	106,388	61,041	79,703
Depreciation, amortization and depletion.....	96,927	68,433	60,324	51,553	45,312
Deferred (prepaid) taxes—net.....	3,992	(4,948)	(1,998)	1,620	(6,393)
Cash flow from operations.....	\$ 225,126	194,847	164,714	114,214	118,622
Statistics					
Sales:					
Paperboard, containers and cartons.....	\$ 303,063	304,578	264,860	260,052	258,674
Pulp and paper.....	242,262	212,495	192,602	186,219	189,746
Lumber	280,364	311,820	272,502	233,381	211,525
Plywood, veneer and doors.....	145,338	163,445	145,062	114,808	115,692
Particleboard and other panels	42,148	33,809	21,737	17,623	18,363
Logs, chips and timber.....	220,248	172,899	133,233	74,496	43,836
Consolidated net sales.....	\$ 1,233,423	1,199,046	1,029,996	886,579	837,836
Weyerhaeuser Real Estate Company	\$ 60,676	35,459	18,639	8,391	6,950
Number of employees.....	42,721	42,677	37,920	36,341	36,875
Number of shareholder accounts:					
Preferred	2,544	1,866	—	—	—
Common	28,892	27,233	24,687	26,547	27,827
Average common shares outstanding (000's)	61,132	60,700	60,896	61,435	62,010

Data for all prior years have been restated, where appropriate, to include a company acquired in 1970 and accounted for as a pooling-of-interests and to reflect Weyerhaeuser Real Estate Company as a subsidiary carried at equity. Per common share figures have also been adjusted to reflect the 1969 2-for-1 common stock split.

Directors

Norton Clapp, *Chairman**
William M. Allen*
Carleton Blunt
John H. Hauberg
E. Bronson Ingram
Robert H. Kieckhefer*
John M. Musser*
Joseph E. Nolan
Robert D. O'Brien
Edwin W. Rawlings
Thomas C. Taylor
C. Davis Weyerhaeuser*
George H. Weyerhaeuser*
Robert B. Wilson*
*Executive Committee

Principal Officers

George H. Weyerhaeuser, *president and chief executive officer*
C. Calvert Knudsen, *senior vice president*
Harry E. Morgan, Jr., *senior vice president—wood products*
Joseph E. Nolan, *senior vice president*
Merrill Robison, *senior vice president—fiber products*
Lowry Wyatt, *senior vice president**
John L. Aram, *vice president—transportation and materiel*
Charles W. Bingham, *vice president—timberlands*
Joseph C. Brown, Jr., *vice president—Dierks*
John W. Creighton, Jr., *vice president—shelter**
Bernard L. Orell, *vice president—public affairs*
Robert D. Pauley, *vice president—research and engineering*
Robert L. Schuyler, *vice president—finance**
Alan T. Smith, *vice president—corporate systems and services*
Daniel C. Smith, *vice president—general counsel*
Ivan D. Wood, *vice president—international*
Robert R. Hansmann, *controller**
Kenneth W. Hultgren, *treasurer*
David H. Swenson, *director of taxes*
Rowland C. Vincent, *secretary*

*Elected since 1969

Annual Meeting

April 15, 1971, Weyerhaeuser Headquarters Building,
2525 So. 336th St., Federal Way, Washington
Proxy material will be mailed to each shareholder of record on
or about March 9, 1971

Transfer Agents for Common and Preferred Shares

Seattle-First National Bank*	First National City Bank
Corporate Trust Department	Stock Transfer Department
P.O. Box 24186	111 Wall Street
Seattle, Washington 98124	New York, New York 10015

*Dividend disbursing agent for common and preferred shares

Common Shares Traded On:

New York Stock Exchange, Midwest Stock Exchange,
Pacific Coast Stock Exchange

Preferred Shares Traded On:

New York Stock Exchange

5.20%, 7.65% and 8 5/8% Debentures and 8 1/8% Notes Traded On:

New York Stock Exchange

Principal Subsidiaries and Affiliates

Domestic

Atlantic Terminals, Inc.
Chehalis Western Railroad
Columbia & Cowlitz Railway
DeQueen & Eastern Railroad
Texas, Oklahoma & Eastern Railroad
Mountain Tree Farm Company
R-W Paper Company
Weyerhaeuser Real Estate Company
*Centennial Homes, Inc.
Jay Peak, Inc.
The Quadrant Corporation
Weyerhaeuser Properties, Inc.
Par West Financial
Pardee Construction Company
Weyerhaeuser Mortgage Company (formerly Pacific
Western Mortgage Co.)

Foreign

Weyerhaeuser International, Inc. (domestic parent)

Canada:

*B. C. Interior Sawmills Ltd.
Kamloops Pulp & Paper Co. Ltd.
Weyerhaeuser Canada Limited
Weyerhaeuser Quebec Limited

Europe:

Cartonpack, S.A.
Dropsy France (formerly Dropsy, S.A.)
Iberoamericana del Embalaje, S.A.
Sanber S.p.A.
Weyerhaeuser Belgium, S.A.

Africa:

Barlow Weyerhaeuser Packaging Investments (Pty) Ltd.

Central and South America:

Cajas y Empaques de Guatemala, S.A.
West Indies Pulp and Paper Ltd.
Weyerhaeuser International, S.A.

Australia and the Far East:

Associated Timber Industries Limited
The Capricorn Corporation
Kennedy Bay Timber Company
*P. T. Weyerhaeuser Indonesia
Weyerhaeuser (Aust.) Pty. Ltd.
*Weyerhaeuser (Far East) Limited
Weyerhaeuser Philippines, Inc.

Subsidiaries and affiliates are owned 50% or more.

*Acquired or organized during 1970





Weyerhaeuser